



University of Connecticut Health Center

**TESTIMONY
HUMAN SERVICES COMMITTEE
March 2, 2010**

HB 5328, An Act Implementing SAGA Hospital Rate Increases

My name is John Biancamano, Chief Financial Officer, University of Connecticut Health Center. Thank you for the opportunity to submit written testimony in support of **HB 5328, An Act Implementing SAGA Hospital Rate Increases**.

The UConn Health Center is comprised of the Schools of Medicine and Dental Medicine and the Graduate School in Bio Medical Sciences, the UConn Medical Group (our faculty practice and largest medical practice in the region) and John Dempsey Hospital (JDH). We are the home to 679 residents (medical and dental) in training who train in local hospitals in the region. We are the only public academic medical center and only publicly operated acute care hospital in the state. We conduct more than \$90 million in bio-medical research. We are a major employer with more than 5000 employees working on our campus and across the State. Health Center activities generate nearly \$1billion in Gross State Product.

We are committed to improving access to quality healthcare and providing quality health care to the state's most vulnerable populations. In order to continue to do so, however, it is important that we along with other hospitals in the state be compensated appropriately for the care we provide.

I would like to tell you a little about JDH and how it currently provides value to the Greater Hartford region and the entire state. The JDH is an integral part of the Health Center's mission and a fundamental component of our success as an academic health center. The hospital provides the onsite clinical facilities to accomplish the integration of research and clinical efforts; it is a key recruiting tool for attracting and retaining high quality faculty and students to UConn, the region and state. While training the next generation of physicians we also help train physicians and staff across the state. We are the regional dental emergency room service, the largest single provider of dental care to the state's under and uninsured, and the mainstay of dental services to adult citizens with developmental disabilities. Our clinical operation collaborates with other state agencies, including the Department of Public Health, Department of Corrections, Department of Mental Health and Addiction Services, Department of Veterans Affairs in Rocky Hill, and Department of Mental Retardation. Our medical students see residents across the state just to name a few programs, at South Park Inn Medical Clinic in Hartford, Covenant House in Willimantic and provide health care services to migrant workers.

JDH is the second smallest academic health center hospital in the country. It has 224 licensed beds; all are in service and staffed; 105 of those beds are dedicated to specialized services including newborn and neonatal maternity, psychiatry and the secured ward for Department of Correction patients, leaving a balance of only 119 “flexible” medical/surgical beds to serve the region’s general health care needs.

Our hospital exists in an extremely competitive healthcare marketplace and experiences the same financial challenges other hospitals do, decreasing reimbursement rates, increasing expenses and aging facilities. Our status as a state institution is a source of great pride, but is also leaves JDH with challenges no other hospital has to contend with. As a state entity our hospital pays state fringe benefit rates, and operates in keeping with statewide collective bargaining contracts and the provisions of the Standard Wage Act. To give you a sense of what that means, in 2008, the average fringe benefit percentage (of salary) for CHA member hospitals (including JDH) was 26%; for JDH, it was 41%. That translated into an additional cost to JDH of approximately \$14 million. For the first time in FY09 the General Assembly recognized this disparity and allocated \$3.9 million in the State Comptroller’s fringe benefit account to help offset some of that cost; and in FY10 & FY11 the General Assembly increased that amount to \$13.5 million.

JDH is a ‘Disproportionate Share Hospital’ and provides inpatient and outpatient services to a significant amount of Medicaid eligible recipients (Husky B or Medicaid Managed Care, Husky A or Medicaid and SAGA). JDH is among the top 4 hospitals in the state for Medicaid inpatient days as a percentage of total inpatient days. In FY 09, total inpatient and outpatient cases totaled 44,470 and represented a total loss of \$17.4 million.

As of today, DSS has not taken the administrative steps needed to implement an 1115 waiver for the SAGA program. The biennial budget passed in September 2009 provided the funding needed to raise hospital SAGA rates up to Medicaid effective January 1, 2010. **The funds necessary to raise hospital SAGA rates to Medicaid have been appropriated and will be matched with or without a waiver.** The Health Center expects to end this fiscal year within budget, which is break even. If this rate increase is not funded, it could mean we may not meet our year end goal. Over 18 months, the impact to JDH is approximately \$2.9 million.

Again, thank you for the opportunity to submit testimony in support of **HB 5328** and thank you for your attention.